Transcript of Statement by Senator Kent Conrad (D-ND)
at Conference Meeting of the Senate and House Budget Committees
to Consider the Budget Resolution for FY 2004
April 2, 2003

First of all, thank you Mr. Chairman. Thank you for hosting us on the House side. Thank you, Mr. Chairman from the Senate side. I can say that working with both of you has been an excellent experience – excellent in terms of the personal relations that we have had, and I thank you both for that. The tone has been extremely good on the Senate side.

But there are deep differences, and we're not here to paper over differences. Part of the greatness of our democracy is that we're able to debate these fundamental differences and discuss them. I'm delighted that we're here in a conference committee with a chance to do that.

Let me say that I have never been more concerned about the fiscal future of the country or the economic security of our nation than I am today, because as I look at either of these budget resolutions or the President's proposal, what I see is heading us over the cliff into massive deficits and debt at the worst possible time. I say that because we are a nation at war and we are a nation faced with record budget deficits, the worst we have ever had and by a long margin. And we're on the eve of the retirement of the baby boom generation, and in that context, both of these resolutions and the President's proposal say the answer is massive new tax cuts. That strikes me as an utterly reckless course and profoundly unwise.

I note the American people strongly agreed with the action that we took in the Senate last week to dramatically reduce the size of the President's tax cut. Americans strongly agreed, two of three respondents – Republicans, Democrats, independents alike – favored the Senate plan to reduce the President's proposal by more than half to help pay for the war, to shore up Social Security and reduce the deficit.

This is the thing that I would say to my colleagues that most concerns me. This is from the President's budget document and it shows the long term prospects for the country. What it shows is that if we adopt the President's plan, we never escape from deficit and that the deficits now, although they are at record levels, will get much, much worse as the baby boom generation begins to retire and as the cost of the President's tax cut explodes.

This next chart, to me, is the most serious matter that we face as a nation. It shows that while the trust funds of Medicare and Social Security are currently generating surpluses, at the very time they go cash negative, the cost of the President's tax cut explodes, driving us deep into deficit and deep into debt.

It's in that backdrop that CBO issued their report, for the first time doing dynamic scoring. They used seven different models to estimate the effects of these tax cuts on the deficit, and what they said in four of their seven models using dynamic scoring, the deficit was actually larger, larger than under static scoring, because of the adverse effect on economic growth of these deficits and debt. If that's not a wake-up call for all of us, I don't know what is.

Interestingly enough, the three places where using dynamic scoring got smaller deficits were circumstances where they said the American people would be working harder over the next decade in preparation for, in anticipation of large tax increases to come forced by these budget choices. Now that is truly a bizarre outcome – that they are anticipating people would work harder over the next ten years. The only way the deficit would be less using dynamic scoring is if the American people worked harder in anticipation of higher taxes in the future caused by these deficits.

These are not just my conclusions, but we've seen editorials around the country saying that this is not the time for massive tax cuts. We're at war, we're already in record deficit. Certainly, a stimulus package that would contain tax cuts and additional spending, that would give lift to the economy now, that makes sense and is supportable. But these massive tax cuts in the out years that explode deficits and debt, we believe will not improve economic growth, but hinder it, because it is paid for with borrowed money. It is not paid for by spending reductions. It is paid for by borrowed money, right on the eve of the retirement of the baby boom generation. We think that is unwise.

I thank my colleagues for this opportunity to lay out an alternative view and again commend you both for bringing us together for this important discussion.